

## Message Text

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ACTION EUR-12

INFO OCT-01 AID-05 CIAE-00 COME-00 EB-07 FRB-01 INR-07

NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 ISO-00 PA-02 PRS-01 AGR-10 L-03

CU-04 NSC-05 SS-15 STR-04 CEA-01 FEA-01 OES-05 /119 W  
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P R 191800Z JAN 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 5220

INFO USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

USMISSION OECD PARIS

AMCONSUL GENOA UNN

AMCONSUL FLORENCE UNN

AMCONSUL TURIN UNN

AMCONSUL TRIESTE UNN

AMCONSUL PALERMO UNN

UNCLAS SECTION 1 OF 2 ROME 00861

E.O. 11652: N/A

TAGS: EFIN, ECON, IT

SUBJ: SOCIALIST PARTY COUNTER-PROPOSAL IN ECONOMIC FIELD

REF : A. 75 ROME 18590,

B. ROME 0607

/SUMMARY/. MAIN ELEMENTS OF PSI "COUNTER-PLAN" FOR  
ECONOMIC POLICY ARE NOW AVAILABLE. MAJOR THRUST IS:

(1) EMPHASIS ON MAINTAINING EMPLOYMENT LEVELS, (2) DECENTRA-  
LIZATION OF AUTHORITY OVER INDUSTRIAL POLICY, (3) DEFINITION  
OF POLICY CRITERIA FOR ALLOCATING FINANCING, (4) TAX  
INCENTIVES FOR INDUSTRY, (5) INCREASED CAPITAL ENDOWMENT  
FUNDS FOR STATE HOLDING COMPANIES BUT RESTRICTED TO NEW  
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INVESTMENTS ONLY, (6) SEPARATE TREATMENT OF FINANCIAL PROBLEMS

OF SAME, AND (7) NEW FUND TO FINANCE TRAINING AND EMPLOYMENT OF NEW ENTRANTS INTO LABOR FORCE. FOR MEZZOGIORNO, PLAN PROPOSES ASSISTANCE TO SPECIFIC ECONOMIC SECTORS AND INTRODUCES PROPOSED SOLUTION OF LOCAL GOVERNMENT FINANCING PROBLEMS. PSI PROGRAM WAS CLEARLY BUT TOGETHER HURRIEDLY AND REVEALS INFLUENCE OF RECENT LABOR UNION PROPOSALS (SEE SEPTTEL) AND OLD PSI IDEAS. FOLLOWING SUMMARIZES MAIN PROVISIONS OF "COUNTERPLAN" AS REPORTED IN PRESS. /END SUMMARY/.

1. /RESTRUCTURING AND RECONVERSION OF INDUSTRY/:

/AUTOMATIC INTERVENTION/ - TO REDUCE COSTS OF BUSINESSES IN ORDER TO STIMULATE INVESTMENT AND STRENGTHEN PRODUCTIVE BASE, WITH INCREASED EMPLOYMENT AS PRIMARY OBJECTIVE, BY:

A) TAX BENEFITS OF A TEMPORARY NATURE FOR NEW INDUSTRIAL INITIATIVES.

B) LIMITED FISCALIZATION OF SOCIAL COSTS (GOVERNMENT ASSUMES COST OF CONTRIBUTIONS FOR SOCIAL INSURANCE NORMALLY BORNE BY BUSINESSES AND, TO LESSER EXTENT, EMPLOYEES), WITH PREFERENCE FOR FISCALIZATION OF SOCIAL COSTS OF FEMALE EMPLOYEES.

C) SPECIAL MEASURES TO ASSIST SMALL AND MEDIUM BUSINESSES.

/SELECTIVE INTERVENTIONS/ - TO ASSIST RESTRUCTURING OF BUSINESSES IN ORDER TO STRENGTHEN AND ENLARGE PRODUCTIVE BASE AS WELL AS INCREASE LEVELS OF EMPLOYMENT, BUT USING MECHANISM WHICH REDUCES TO A MINIMUM AREA OF DISCRETION PERMITTED TO MANAGERS OF INDUSTRIAL RESTRUCTURING FUNDS BY:

A) UNIFYING IN SPECIAL INDUSTRIAL RECONVERSION FUND ALL EXISTING LAWS FOR INDUSTRIAL RESTRUCTURING.

B) USE OF FUND WOULD BE RESTRICTED TO PRECISELY DEFINED SECTORS.

C) FINANCIAL ASSISTANCE WOULD BE GIVEN ONLY TO THOSE FIRMS UNCLASSIFIED

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WHICH COMMIT THEMSELVES TO MAINTAIN AND INCREASE THEIR LEVELS OF EMPLOYMENT, INCLUDING THROUGH INTER-COMPANY PROGRAMS FORMULATED IN LOCAL AREAS UNDER DIRECTION AND CONTROL OF REGIONAL GOVERNMENTS.

/STATE PARTICIPATIONS/ - MEASURES TO MODIFY ROLE OF STATE HOLDING COMPANIES THOURHG:

A) LIMITING USE OF CAPITAL ENDOWMENT FUND INCREASES TO ECONOMICALLY PROFITABLE INVESTMENTS DURING 1976-77 PERIOD, PARTICULARLY IN FOOD AND MECHANICAL INDUSTRIES.

B) ASCERTAINMENT OF CAUSES AND ACTUAL DIMENSIONS OF HOLDING COMPANY DEFICITS WITH GOVERNMENT TO CONDITION SPECIAL FINANCIAL ASSISTANCE TO COVER LOSSES ON MEASURES TO BE TAKEN TO REMOVE CAUSES OF DEFICITS. STATE COMPANIES WHICH RECEIVE SPECIAL FINANCIAL ASSISTANCE TO BE INELIGIBLE FOR ASSISTANCE THROUGH NEW INDUSTRIAL RECONVERSION FUND.

C) IMMEDIATE REFORM OF SYSTEM OF STATE PARTICIPATIONS.

/TAX AND CREDIT/ - PSI EXPRESSES DETERMINATION TO COMBAT TAX EVASION, INCLUDING THROUGH SYSTEM OF SPOT-CHECKING TAX RETURNS AND ADVOCATES CREDIT MEASURES TO REDUCE INTEREST RATES.

/EMPLOYMENT/ - INSTITUTION OF NATIONAL FUND FOR TRAINING OF YOUTHS IN SEARCH OF THEIR FIRST JOB AND FOR PAYMENT OF SALARIES FOR FULL TIME OR PART-TIME WORK IN SUCH FIELDS AS EDUCATION, PUBLIC ADMINISTRATION, PUBLIC WORKS, AGRICULTURE, CULTURAL AND OTHER FIELDS.

2. /THE SOUTH (MEZZOGIORNO)/. PSI PROPOSES TO RE-SUBMIT PROPOSALS MADE PREVIOUSLY THESE ARE:

A) ASSIGNMENT TO REGIONS OF BROADER ROLE IN PLANNING ORGANS AT NATIONAL LEVEL RATHER THAN BEING MERELY CONSULTANTS.

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CU-04 NSC-05 SS-15 STR-04 CEA-01 FEA-01 OES-05 /119 W

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P R 191800Z JAN 76

FM AMEMBASSY ROME  
TO SECSTATE WASHDC PRIORITY 5221  
INFO USMISSION EC BRUSSELS  
AMCONSUL MILAN  
AMCONSUL NAPLES  
USMISSION OECD PARIS  
AMCONSUL GENOA UNN  
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UNCLAS SECTION 2 OF 2 ROME 00861

E.O. 11652: N/A  
TAGS: EFIN, ECON, IT  
SUBJ: SOCIALIST PARTY COUNTER-PROPOSALS IN ECONOMIC FIELD

REF : A. 75 ROME 18590  
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B) TRANSFER FROM THE CASSA PER IL MEZZOGIORNO TO THE  
REGIONS OF ALL CASSA ACTIVITIES WHICH ARE WITHIN  
COMPETENCE OF REGIONS AND EVENTUAL ABOLITION OF CASSA BY  
1980.

C) UNIFICATION OF VARIOUS INCENTIVE LAWS.

D) AUTOMATIC AND EFFECTIVE TRANSFER TO REGIONS OF  
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FINANCIAL RESOURCES NECESSARY TO FINANCE PROGRAMS FOR  
WHICH THEY WILL GRADUALLY BECOME RESPONSIBLE.

E) IMMEDIATE FISCALIZATION OF SOCIAL COSTS (SEE ABOVE)  
OF ALL MANUFACTURING FIRMS IN SOUTH.

F) IMMEDIATE FINANCING TO REGIONS FOR EXECUTION OF EXISTING  
PROJECTS FOR INFRASTRUCTURE AND INDUSTRIAL AREAS.

G) IMMEDIATE STRENGTHENING OF REGIONAL ADMINISTRATIVE AND  
TECHNICAL ORGANS FOR CARRYING OUT THEIR NEW DEVELOPMENT  
RESPONSIBILITIES;

H) PRIORITY USE IN SOUTH OF NATIONAL FUND FOR EMPLOYMENT  
OF YOUTH.

3. /PUBLIC EXPENDITURES/

/CONSTRUCTION/ - PSI PROPOSES TO HELP DEPRESSED CONSTRUCTION

INDUSTRY BY:

A) APPROVAL OF PREVIOUSLY SUBMITTED PLAN FOR CONTROL OF USE OF URBAN LAND.

B) APPROVAL OF EXISTING DRAFT LAW REGARDING MULTI-YEAR PLAN FOR LOW-INCOME HOUSING WITH ESTABLISHMENT OF NEW FINANCIAL CORPORATION.

C) EQUITABLE RENTS, ABOVE ALL FOR LOW-INCOME TENANTS.

/AGRICULTURE/ - IN ORDER TO SUPPORT EMPLOYMENT, COMBAT INFLATION AND HELP BALANCE OF PAYMENTS, PLAN CALLS FOR:

A) EARLY ASSISTANCE FOR LIVESTOCK BREEDING AND FOR PRODUCTION OF CEREAL, SUGAR, FRUITS AND VEGETABLES. PUBLIC CONTROL OF IMPORTS ARE RECOMMENDED FOR MEAT, FEED GRAINS AND MILK IN ORDER TO HALT SPECULATION AND HELP LIVESTOCK SECTOR.

B) IMMEDIATE MEASURES FOR IRRIGATION AND FORRESTATION.

C) MEASURES FOR RESTRUCTURING AIMA (MARKET INTERVENTION UNCLASSIFIED

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AGENCY OF MIN AGRI), REORGANIZING AGRICULTURAL CREDIT, REGIONALIZING AGRICULTURAL IMPROVEMENT CONSORTIA, REFORMING AGRICULTURE MINISTRY, AND INCREASING RESPONSIBILITIES OF REGIONS.

D) CREATION OF SPECIAL FUND TO PROVIDE FINANCING FOR NATIONAL AND REGIONAL AGRICULTURAL PLANS AND FOR USE IN CONJUNCTION WITH EC FINANCIAL ASSISTANCE. MEASURES FOR STIMULATION OF PRODUCER COOPERATIVES.

/ENERGY/ - ALL DECISIONS OF CIPE REGARDING ENERGY PLANS MUST BE RECONSIDERED, SPECIFICALLY INCLUDING ELECTRO-NUCLEAR SECTOR, AND BROUGHT INTO LINE WITH OVERALL OBJECTIVE OF IMPROVING ITALY'S PRODUCTIVE CAPACITY.

4. /LOCAL FINANCING/. PSI ASSERTS THAT PROBLEM IS SUCH AS TO UNDERMINE ENTIRE PUBLIC FINANCE SYSTEM, SO THAT FOLLOWING ACTIONS SHOULD BE TAKEN:

A) CONSOLIDATION OF EXISTING LOCAL GOVERNMENT DEBT.

B) LIMITATION ON SPENDING FOR CURRENT OPERATIONS TO RATE EQUAL TO RATE OF INFLATION.

C) ALLOCATION OF SPECIFIC FUNDS IN NATIONAL BUDGET TO ASSURE COVERAGE OF COST OF SOCIAL EXPENDITURES WHICH ARE LEGAL

RESPONSIBILITIES OF LOCAL GOVERNMENTS.VOLPE

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